

Message Text

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AMEMBASSY VIENNA
AMEMBASSY BRUSSELS
AMEMBASSY ROME
AMEMBASSY MOSCOW

C O N F I D E N T I A L STATE 170045

USIAEA

E.O. 11652: GDS

TAGS: TECH, ENRG, MNUC, CA

SUBJECT: US-CANADIAN DISCUSSIONS ON NUCLEAR MATTERS

1. US-GOC DISCUSSIONS ON NUCLEAR ISSUES AND DRAFT US-
GOC AGREEMENT FOR COOPERATION HELD IN OTTAWA JUNE 29 WITH
CANADIAN OFFICIALS (DFA, AECL AND AECB) HEADED BY LABERGE
AND NOBLE (DFA), WITH US DELEGATION (STATE/DOE/ACDA REPS)
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HEADED BY DEPUTY ASSISTANT SECRETARY NOSENZO. ISSUES
COVERED WERE CONVERSION OF NRC TYPE RESEARCH REACTORS FROM
NATURAL URANIUM TO 20 PERCENT ENRICHED FUEL, RECENT
DEVELOPMENTS WITH ARGENTINA, PROPOSED "FUEL TRUST",
NUCLEAR SUPPLIERS DEVELOPMENTS AND PROPOSED NEW NRC REGU-
LATIONS.

2. RESEARCH REACTOR CONVERSION. CANADIANS GAVE DETAILED
SUMMARY OF TECHNICAL REPORT RECENTLY PREPARED BY AECL ON
FEASIBILITY OF CONVERTING NRX-TYPE REACTORS FROM NATURAL

URANIUM TO LEU FUEL, WHICH IN ADDITION TO IMPROVING RE-SEARCH FLEXIBILITY, WILL REDUCE AMOUNT OF PLUTONIUM PRODUCED AND THUS LOWER PROLIFERATION POTENTIAL OF THIS TYPE OF REACTOR.

3. ARGENTINA. CANADIANS INDICATED THEY HAVE HELD DISCUSSIONS WITH CASTRO MADERA REGARDING POSSIBLE SALE OF SECOND

CANDU REACTOR (600 MWE) TO ARGENTINA, AND PLAN TO MAKE PRELIMINARY SUBMISSION OF PROPOSAL TO ARGENTINES. SALE WOULD BE CONTINGENT ON ARGENTINE ACCEPTANCE OF CANADIAN 1976 POLICY, INCLUDING FULL-SCOPE SAFEGUARDS AND NON-EXPLOSIVES PLEDGE. IT WAS NOTED IN THIS CONNECTION THAT ARGENTINES HAD RECENTLY DECLARED INTENTION TO RATIFY TREATY OF TLATELOLCO AND HAD REPORTEDLY APPROACHED IAEA SECRETARIAT RE POSSIBILITY OF FULL-SCOPE SAFEGUARDS AGREEMENT.

4. CANADIANS SAID THEY AWARE KWU (FRG) ALSO COMPETING FOR ORDER, AND INQUIRED IF FRG AWARE OF US AND CANADIAN EFFORTS TO OBTAIN FULL-SCOPE SAFEGUARDS. NOSENZO TOLD THEM FRG INFORMED OF US THREE-STAGE STRATEGY DESIGNED TO ACHIEVE ARGENTINE RATIFICATION OF TLATELOLCO, ACCEPTANCE CONFIDENTIAL

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OF FULL-SCOPE SAFEGUARDS, AND INDEFINITE DEFERRMENT OF RE-PROCESSING. WE DID NOT EXPECT FRG TO ACT IN A MANNER SO AS TO UNDERCUT IT.

5. FUEL TRUST. NOSENZO OUTLINED US NON-PROLIFERATION POLICY AND STRATEGY DESIGNED TO LIMIT SPREAD OF SENSITIVE TECHNOLOGIES THROUGH DEVELOPMENT OF FUEL ASSURANCE AND SPENT FUEL STORAGE REGIMES. WE HOPE TO CONVINCE OTHER NATIONS THAT THE AVAILABILITY OF URANIUM AND ENRICHMENT SERVICES ARE SUFFICIENT TO DEFER THE NEED FOR COMMERCIAL REPROCESSING UNTIL EARLY IN THE NEXT CENTURY. MORE GENERALLY, WE HOPED TO ACHIEVE CONSENSUS THAT ANY SENSITIVE FACILITIES SHOULD BE CONSTRUCTED ONLY WHEN NEEDED, SHOULD BE AS FEW AS POSSIBLE AND IN SAFE LOCATIONS, SHOULD EMPLOY PROLIFERATION RESISTANT TECHNOLOGIES, AND SHOULD BE MULTINATIONAL IN NATURE. A FUEL TRUST IS A POSSIBLE MECHANISM TOWARD ACHIEVING THIS OBJECTIVE BY ENCOURAGING COUNTRIES WITH SMALL NUCLEAR PROGRAMS NOT TO ACQUIRE FULL FUEL CYCLE CAPABILITIES. THE CONCEPT WOULD BE FOR SUCH COUNTRIES TO DEPEND ON EXISTING CAPABILITIES BUT PROVIDE "INSURANCE" IF THEIR NORMAL FUEL SUPPLY ARRANGEMENTS WERE CUT OFF FOR OTHER THAN NON-PROLIFERATION REASONS. EXAMPLES OF COUNTRIES THAT MIGHT FIND A TRUST ATTRACTIVE ARE THE PHILIPPINES, IRAN, KOREA, SWEDEN, SWITZERLAND AND AUSTRIA. CONCEPT WAS DISCUSSED WITH AUSTRALIANS AND OTHERS, INCLUDING FRG AND JAPAN, WHO AGREED CONCEPT MOST APPROPRIATE FOR SMALL COUNTRIES AS DETERRENT TO THEIR MOVING TOWARD

FULL FUEL CYCLES, RATHER THAN COUNTRIES WITH LARGE, ADVANCED PROGRAMS. US SIDE ALSO NOTED THAT THOUGHT NEEDS TO BE GIVEN TO SOME MECHANISM TO PROVIDE ADVANCED COUNTRIES WITH ASSURANCE OF FUEL SUPPLY SUCH AS SAFETY NET CONCEPT FOR URANIUM SIMILAR TO OIL FOR IEA COUNTRIES AND LONG-TERM ASSURANCES BY SUPPLIERS.

6. DRAFT OF INTERNATIONAL NUCLEAR FUEL TRUST AGREEMENT INFORMALLY PROVIDED CANADIANS AND ARTICLES BRIEFLY RE-CONFIDENTIAL

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VIEWED. CANADIANS URGED TO STUDY AND PROVIDE COMMENTS. THEY INFORMED THAT WE ENVISAGE CONTRIBUTIONS OF ENRICHMENT SERVICES BY US (PERHAPS FOUR-EIGHT RELOADS), NATURAL URANIUM BY AUSTRALIA AND CANADA (PERHAPS TWO-FOUR RELOADS EACH), AND FOUR RELOADS BY FRANCE, THE UK, FRG AND JAPAN. ADDITIONAL CONTRIBUTIONS COULD BE MADE ON CONSIGNMENT BASIS. US SIDE ALSO SUGGESTED CANADA MIGHT CONSIDER COMMITTING A SUPPLY OF HEAVY WATER.

7. CANADIANS (AECL) WERE INITIALLY NEGATIVE TOWARD CONCEPT, ADVANCING ARGUMENTS THAT URANIUM FUEL SUPPLY MAY NOT BE AS READILY AVAILABLE AS WE ASSUME OVER THE NEXT 25 YEARS AND THAT REPROCESSING, IF PROPERLY SAFEGUARDED, COULD BE A PARTIAL SOLUTION. AT END OF DISCUSSIONS, HOWEVER, CANADIANS WERE POSITIVE TOWARD CONCEPT AND AGREED TO PROVIDE COMMENTS AND CONSIDER POSSIBILITY OF MAKING COMMITMENT OF NATURAL URANIUM AND HEAVY WATER SUPPLY FOR TRUST. CANADIANS SEEMED PARTICULARLY RELIEVED THAT US WAS PROPOSING MODEST SIZE BANK.

8. BOTH SIDES OUTLINED THEIR CURRENT PLANNING FOR SPENT FUEL STORAGE REGIMES. US SIDE NOTED THAT THE ACCEPTANCE OF LIMITED QUANTITIES OF FOREIGN SPENT FUEL IN SUPPORT OF NON-PROLIFERATION OBJECTIVES WAS AN ELEMENT IN US NATIONAL PLANS AND THAT SUCH DEVELOPMENTS ALONG WITH INTERNATIONAL SPENT FUEL STORAGE CAPABILITIES WAS A MAJOR ELEMENT IN US EFFORTS TO HAVE OTHERS DEFER REPROCESSING. THE CANADIANS INDICATED DOMESTICALLY THEY ARE STUDYING LONG-TERM STORAGE REGIMES FOR THEIR OWN FUEL AND HAVE PLANS FOR STORAGE/DISPOSAL IN ONTARIO. HOWEVER, THEY MADE CLEAR THAT THEY CURRENTLY HAVE NO PLANS TO ACCEPT SPENT FUEL FROM ABROAD, BELIEVE THIS ISSUE IS TOO POLITICALLY CHARGED AND INDICATED THAT THEY HAVE ACTIVELY DISCOURAGED ANY SUGGESTION
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BY THEIR CUSTOMERS FOR RETURN OF SPENT FUEL.

9. DRAFT AGREEMENT FOR COOPERATION. WE PROVIDED CANADIANS NEW TEXT OF AGREEMENT INCORPORATING CHANGES IN

STATE 154204. WE WENT THROUGH TEXT ARTICLE BY ARTICLE, USING IT AS VEHICLE TO DISCUSS ISSUES RATHER THAN HAVING DETAILED DRAFTING SESSION. WE MADE CLEAR IT WAS NOT USG INTENTION, IN PRESENTING TEXT, TO CUT BACK ON ANY EXISTING COOPERATION BETWEEN US AND CANADA. AECL PERSONNEL APPEARED VERY SENSITIVE ON THIS ISSUE, OFTEN REFERRING TO LONG HISTORY OF CLOSE COOPERATION BETWEEN TWO COUNTRIES AND SPECIAL NATURE OF RELATIONSHIP. KEY SUBSTANTIVE ISSUE DISCUSSED WAS HOW TO TREAT EXISTING TRANSFER OF SENSITIVE TECHNOLOGY AND EQUIPMENT INVOLVING HEAVY WATER PRODUCTION

AND, PERHAPS FOR THE FUTURE, REPROCESSING TECHNOLOGY EXCHANGES CONCERNING THORIUM FUEL CYCLES. THREE ALTERNATIVE APPROACHES TO UPDATING EXISTING AGREEMENT FOR COOPERATION WERE DISCUSSED: WORKING ON BASIS OF US DRAFT AGREEMENT; WORKING ON BASIS OF CANADIAN DRAFT; AND AMENDING EXISTING AGREEMENT. WHILE BOTH SIDES BELIEVED ENTIRELY NEW AGREEMENT WOULD BE CLEANER, THEY AGREED IT MIGHT BE SIMPLER, IN VIEW OF THE UNIQUE NATURE OF US-CANADIAN NUCLEAR COOPERATION AS WELL AS THE ISSUES INVOLVING SENSITIVE NUCLEAR TECHNOLOGY, TO AMEND EXISTING AGREEMENT. SECOND SESSION TENTATIVELY SCHEDULED FOR THE FALL (SEPTEMBER/OCTOBER) AFTER BOTH SIDES HAVE OPPORTUNITY TO PURSUE FURTHER VARIOUS ISSUES RAISED.

10. NUCLEAR SUPPLIERS. US SIDE INDICATED THAT MEETING OF GROUP WAS HIGHLY UNLIKELY THIS YEAR BECAUSE OF FRENCH RELUCTANCE ON FULL-SCOPE SAFEGUARDS AND POSSIBLE NEGATIVE EFFECT OF SUPPLIERS MEETING ON INFCE. HOWEVER, BOTH SIDES AGREED THERE WAS CLEAR NEED TO CONTINUE GROUP BOTH TO ACHIEVE ADDITIONAL UNDERSTANDINGS AND AS PRESTIGE FOR POSSIBLE NEW MEMBERS (ARGENTINA AND SPAIN). THREE PAPERS
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WERE PROVIDED THE CANADIANS OUTLINING (A) THE NEED TO EXERCISE PARTICULAR CARE IN TRANSFERS OF RESEARCH AND TEST REACTORS AND FUEL THEREFOR TO AVOID USE, PRODUCTION OR ACCUMULATION OF WEAPONS-USEABLE MATERIAL; (B) THE NEED FOR SPECIAL RESTRAINT, AND PRIOR CONSULTATIONS IN TRANSFERS OF ENRICHMENT TECHNOLOGY AND THE DESIRABILITY OF MULTINATIONAL ARRANGEMENTS ASSOCIATED WITH ANY SUCH TRANSFERS; AND, (C) A STATEMENT THAT AN ADHERENT WOULD NOT ENTER INTO NEW FUEL, EQUIPMENT OR TECHNOLOGY SUPPLY COMMITMENTS TO NNWS NOT HAVING ALL PEACEFUL NUCLEAR ACTIVITIES UNDER IAEA SAFEGUARDS. WE NOTED PAPERS DISCUSSED WITH A FEW OTHER MAJOR SUPPLIER COUNTRIES, PAPERS (A) AND (B) ABOVE WELL RECEIVED, AND WE EXPECT IN DUE COURSE AFTER CONSULTATION WITH BRITISH TO CIRCULATE THEM TO OTHER CONCERNED SUPPLIERS GROUP MEMBERS. RE PAPER (C), THE FRENCH HAD RESERVED ON ADOPTING THE POSITION FORMALLY; HOWEVER, FOR ALL PRACTICAL PURPOSES THEY PLAN TO FOLLOW THE POLICY SET FORTH. WE PRESENTLY DO NOT PLAN TO CIRCULATE THIS DOCUMENT BROADLY IN

THE SUPPLIERS GROUP UNTIL SUCH TIME AS THE FRENCH MAY BE
IN A POSITION TO GO ALONG.

11. OTHER ISSUES ADDRESSED INCLUDED IMPLEMENTATION OF US-
CANADIAN 1977 NOTE ON DOUBLE LABELING. CANADIANS WISHED
TO KNOW WHETHER WE WOULD CONSULT THEM ON CANADIAN ORIGIN
TOLL ENRICHED URANIUM PRIOR TO TRANSFER FROM US TO THIRD
PARTY. US SIDE INDICATED THAT WE UNDERSTOOD CONSULTATION/
CONSENT FORMULA APPLIED TO MATERIAL IN THIRD COUNTRY. WE
ASSUMED MATERIAL TRANSFERRED TO US FOR TOLL ENRICHMENT
HAD, BY THE FACT OF THE IMPORT REQUEST, CANADIAN PRIOR
CONSENT FOR RETRANSFER AFTER ENRICHMENT. IF THIS WERE NOT
THE CASE, US WOULD HAVE DIFFICULTY ACCEPTING IMPORT OF
MATERIAL FOR TOLL ENRICHMENT. CANADIANS SAID THEY NEEDED
TO BE NOTIFIED OF FACT OF TRANSFER TO FACILITATE THEIR
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TRACKING IN THIRD COUNTRY. BOTH SIDES AGREED THAT MATTER
COULD MORE APPROPRIATELY BE HANDLED BY DISCUSSIONS AT
TECHNICAL LEVEL ON MATERIAL TRACKING. IN RESPONSE TO
QUESTION ON ANY PRIVATE UNDERSTANDINGS CANADA HAD WITH
JAPAN REGARDING CANADIAN CONSENT RIGHTS, CANADIANS SAID
THAT JAPANESE UNDERSTOOD INFORMALLY THAT WHILE CANADA
WISHED SUCH RIGHTS, IT DID NOT INTEND TO EXERCISE THEM TO
PREVENT REPROCESSING OF JAPANESE SPENT FUEL. ISSUE OF NEW
NRC REGULATIONS TO GENERAL LICENSE COMPONENTS FOR REACTORS
WAS ALSO DISCUSSED AND US SIDE OFFERED TO FURNISH CANADIANS
WITH SPECIFIC INFORMATION RE CANADIAN REACTORS. VANCE

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